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Financial and budgetary matters
For decision

Executive Board documents are available on WFP's website (https://executiveboard.wfp.org).

Amendments to the Financial Regulations

Draft decision*

The Board approves the amendments to the Financial Regulations as set forth in annex I of this document and, accordingly, requests that WFP's financial statements for 2026 be presented in a manner consistent with the Financial Regulations as amended by this decision.

* This is a draft decision. For the final decision adopted by the Board, please refer to the decisions and recommendations document issued at the end of the session.

Focal points:

Mr A.-R. Qureshi
Chief Financial Officer, a.i.
email: ally-raza.qureshi@wfp.org

Mr R. Pittock
Director, Corporate Planning, Budgeting and Reporting Service
Chief Financial Officer Division
email: ryan.pittock@wfp.org

I. Background and objectives

1. From 2018 to 2020, WFP's General Rules and Financial Regulations, particularly in respect to full cost recovery policies and related terminology and the delegations of authority to approve country strategic plans (CSPs) and country portfolio budgets, were amended as part of the Integrated Road Map framework. Recognizing the need for improvements to its broader budgetary governance framework, WFP is proposing several revisions to the Financial Regulations with the primary aim of ensuring that budget-related definitions and decisions are accurately reflected and to consolidate elements currently spread across several documents, including past management plans.

2. The proposed revisions will consolidate budgetary policy, reduce the length and number of draft decisions presented to the Board, reduce ambiguity, resolve inconsistencies among regulations and enhance WFP's agility in responding to change, while ensuring that the Board retains its strategic and budgetary oversight role. The revisions also aim to address some of the External Auditor's recommendations related to budgetary policy.[1]

3. These proposals were first presented to the Board in section V of the management plan for 2026–2028 at the 2025 second regular session, together with the advice of the Finance Committee of the Food and Agriculture Organization of the United Nations (FAO) and the Advisory Committee on Administrative and Budgetary Questions (ACABQ). The FAO Finance Committee reviewed the proposals and recommended that the Board approve the management plan for 2026–2028 inclusive of the proposed changes to the Financial Regulations. The ACABQ reviewed the proposals and recommended that the Board defer approval of the changes to the Financial Regulations and instruct WFP management to present to the Board for its consideration a separate report on these changes, incorporating input from the External Auditor and a complete analysis of the changes. Accordingly, at its 2025 second regular session, the Board took note of the proposed changes and expressed that it looked forward to further consultation and to consideration of the proposed amendments in 2026.

4. In January 2026, an informal consultation was held with the Board on the proposed Financial Regulations. The proposed amendments were presented in the following three categories, illustrating both scope and rationale: i) changes addressing audit recommendations; ii) changes to strengthen governance and better align with operational realities; and iii) changes aimed at ensuring textual consistency. Quantitative and qualitative analysis was provided, followed by bilateral engagements with several Board members to further clarify the proposals. In response to feedback received from Board members, this document includes a dedicated section outlining the impact of the proposed changes.

5. In February 2026, the Board held an informal consultation with the External Auditor, who clarified the formal procedure for the Board to request an opinion on the proposed changes to the Financial Regulations from the External Auditor in accordance with Financial Regulation 14.6. The Board has not pursued the request for a formal report from the External Auditor on these amendments. The External Auditor has indicated that, as part of established procedure, he would report on the implementation of outstanding recommendations, including the budget-related recommendations, in his annual report to be presented at the 2026 annual session of the Board.

6. The proposed changes to the Financial Regulations presented in this document are, for the most part, consistent with the changes included in section V of the management plan for 2026–2028, with the exception of minor stylistic adjustments in the proposed revision of Financial Regulation 9.5. However, proposed changes to Financial Regulations 9.8 have been removed, reflecting the Board's emphasis on engagement during periods of heightened

[1] See annex I.

volatility; this matter will therefore be retained as a decision point in each management plan, as has been the case since the management plan's inception. This document includes additional examples and further considerations on the impact of the proposed changes in line with the informal consultations held in January and February 2026 as well as other feedback received from Board members.

II. Proposed changes to the Financial Regulations

7. The rationale and proposed changes are included in the following paragraphs, while a side-by-side comparison between the current text and the proposed revised text is included in annex I. Proposed amendments in this section are presented in numerical order, while annex I groups them into three categories, differentiating between substantive changes and those made for coherence or alignment purposes.

Financial Regulation 1.1: Definition of the WFP Budget

8. The WFP Budget is currently defined as follows:

WFP Budget shall mean the annual budget component of the Management Plan approved each year by the Board, indicating estimated resources and expenditures for programmes and activities, and shall include a Programme Support and Administrative budget.

9. The current definition lacks clarity in several respects. It is ambiguous regarding whether the estimated resources and expenditures, and the programme support and administrative (PSA) budget are components of the WFP Budget or of the broader management plan. It also lacks clarity as to whether the Board is to grant approval of the management plan or the WFP Budget. In addition, the definition does not reflect the dynamic nature of WFP's operational and funding environment.

10. In developing a revised definition, WFP aimed to ensure that the WFP Budget:

- reflects the full cost of implementing approved CSPs, including both direct and indirect costs;
- reflects the total resourcing requirements for programmes throughout the year, thereby enhancing transparency and coherence in resource mobilization; and
- allows for budget adjustments over the course of the year in response to evolving operational contexts and funding levels.

11. WFP considered the findings of the Joint Inspection Unit's (JIU) review of budgeting practices in United Nations organizations.[2] The JIU emphasized that the principal function of a budget is to provide Member States and governing bodies with a financial plan for implementing a programme of work over a defined period. A programme budget should focus on the objectives to be achieved and translate them into the resources required for implementation.

12. The JIU also noted that United Nations entities adopt various budgeting models, including resource-based approaches, as at the United Nations Development Programme, the United Nations Population Fund and the United Nations Children's Fund; needs-based approaches, as at the Office of the United Nations High Commissioner for Refugees; and hybrid models, as at the United Nations Entity for Gender Equality and the Empowerment of Women, and WFP, where the model includes operational requirements and the provisional implementation plan.

13. WFP also considered the International Public Sector Accounting Standards (IPSAS), specifically IPSAS 24, on the presentation of budget information in financial statements. IPSAS 24 defines annual budget as an approved budget for one year, while IPSAS also states

[2] United Nations. 2024. Budgeting in organizations of the United Nations System (JIU/REP/2024/3).

that the financial statements should include a comparison among the original and final budgets, and the actual amounts on a comparable basis.

14. To address the issues identified, align the definition of the WFP Budget with best practices, and ensure that the definition is consistent with WFP's operational reality, the following revised definition is proposed:

WFP Budget shall mean the annual budget of WFP constituting the sum of the annual portions of each country portfolio budget approved, and/or expected to be submitted for approval, for the financial period, including the related operational and support costs, and shall include the Programme Support and Administrative budget.

15. Under this revised definition, the WFP Budget would reflect the full cost of operational requirements, including both direct and indirect costs. For example, under the new definition, the originally approved WFP Budget for 2026 would amount to USD 13.0 billion as reflected in page 32 of the management plan for 2026–2028, and this would be reflected in statement V of the financial statements as the original budget, in line with IPSAS 24. Meanwhile, the WFP Budget would be dynamic, allowing for updates throughout the year in response to changing operational needs, as reflected in the approval of individual new and revised country portfolio budgets. The final WFP Budget will comprise the sum of the annual portions of individually approved country portfolio budgets as of the last day of the fiscal year.

Financial Regulation 9.4: Elements included in the management plan

16. The current regulation reads:

The proposed Management Plan will include: (a) planned outcomes and indicators of achievement; (b) comparative tables setting out the proposals for the following financial period, the approved WFP Budget for the current financial period and the approved WFP Budget for the current financial period as modified in the light of actual receipts and expenditures; and (c) such statistical data, information, explanatory statements and staffing tables including those with regard to the second and third years of the Management Plan period, as may be requested by the Board or considered appropriate by the Executive Director.

17. The proposed revisions to Financial Regulation 9.4 aim to improve coherence and reduce ambiguity. The comparative budget tables referenced in item (b) above will be simplified. Given that the definition of the management plan already refers to its three-year planning period, the references to the second and third years in item (c) above will be removed, while additional information will continue to be included as requested by the Board or at the discretion of the Executive Director.

18. The proposed text would read as follows:

The Management Plan will include:

(a) planned outcomes and indicators of achievement; and

(b) comparative tables setting out the approved WFP Budget for the current financial period and the proposal for the following financial period.

The Executive Director shall also provide, for the Board's information, such indicative statistical data, information, explanatory statements and staffing tables with regard to the Management Plan period as may be requested by the Board or considered appropriate by the Executive Director.

Financial Regulation 9.5: The Board's consideration and approval of the management plan and the WFP Budget

19. The current regulation reads:

The Board shall consider the proposed Management Plan, and the related reports of the ACABQ and the Finance Committee, and shall approve the Management Plan, including the WFP Budget, prior to the beginning of the financial period covered by the WFP Budget.

20. Amendments to Financial Regulation 9.5 seek to clarify the role of the Board in approving the WFP Budget rather than the entire management plan. This shift is in accordance with General Regulation XIV.6, which requires the Executive Director to submit "a WFP budget" to the Board for approval, and responds to the External Auditor's recommendations on formalizing the approval of an overall WFP budget. Furthermore, this shift codifies the practice in place for more than 20 years (since the inception of the management plan) in which specific decision points of the management plan are approved by the Board in lieu of approval of the entire document.

21. Changes to this regulation also seek to pre-emptively address the potential contradiction between the approval of "a WFP budget" (General Regulation XIV.6) and the approval of individual CSPs and their country portfolio budgets, which are regulated under General Regulation VI.2(c). The changes also clarify the evolving nature of the WFP Budget throughout the year, in line with changes in the CSP budgets.

22. The proposed text would read as follows:

The Board shall consider the Management Plan, and the related reports of the ACABQ and the Finance Committee, and shall approve the annual WFP Budget prior to the beginning of the financial period covered by the WFP Budget. Approval of the annual WFP Budget does not constitute approval of individual programmes or their related country portfolio budgets, which shall be submitted separately for approval and revision pursuant to General Regulation VI.2(c) and the Appendix to the General Rules. The annual WFP Budget shall be deemed, without further action by the Board, to incorporate future approvals and revisions of country portfolio budgets.

23. As an example of the modified regulation, in November 2025, the annual WFP Budget for 2026 is approved at USD 13.0 billion, which includes the country portfolio budget of country *Alpha* for USD 1.0 billion. During 2026, an emergency escalates, and the Board approves a revised country portfolio budget for country *Alpha* at USD 2.5 billion to be implemented in 2026. Assuming no other changes or new individual country portfolio budget approvals, the annual WFP Budget will be USD 14.5 billion. The updated annual WFP Budget will not be subject to approval by the Board, as the underlying changes have been individually approved by the Board in line with General Regulation VI.2(c). In financial statement V, the original WFP Budget will be reflected as USD 13.0 billion and the final WFP Budget will be USD 14.5 billion.

24. Notwithstanding the approval of the annual WFP Budget, appropriations for the PSA budget and any other appropriations would continue to be specifically approved by the Board.

Financial Regulation 9.6: Implications of approving appropriations

25. The current regulation reads:

The Board's approval of the Management Plan, including the Budget, shall constitute: (a) acceptance of the WFP programme of work for the following financial period and an authorization to the Executive Director to proceed with the implementation of the programme of work; and (b) an authorization to the Executive Director to allocate funds, issue allotments, incur obligations and make payments for the purposes for which the appropriation was approved, up to the amount so approved.

26. To align with the revised Regulation 9.5, which specifies that the annual WFP Budget, rather than the entire management plan, is the component subject to approval by the Board, the proposed amendment to Financial Regulation 9.6 places emphasis on the approval of specific appropriations. In addition, it is proposed that item (a), which refers to programmatic elements, be removed in order to avoid overlap with Financial Regulation 8.1, which governs CSPs and the programmatic framework. These revisions ensure that Financial Regulation 9.6 is focused exclusively on the appropriations presented through the management plan.

27. The proposed text would read as follows:

The Board's approval of the Programme Support and Administrative budget and other appropriations shall constitute an authorization to the Executive Director to allocate funds, issue allotments, incur obligations and make payments for the purposes for which the Programme Support and Administrative budget and other appropriations were approved, up to the amount so approved.

Financial Regulation 9.7: Transfers within PSA appropriation lines

28. The current regulation reads:

The Executive Director may make transfers within each of the main appropriation lines of the approved Programme Support and Administrative budget. The Executive Director may also make transfers between appropriation lines up to limits the Board may specifically set.

29. The amendment to Financial Regulation 9.7 introduces a 5 percent threshold of flexibility for transfers into and out of each PSA appropriation line. This amendment specifies the limits referenced in the current regulation.

30. The change improves the optimization of PSA resources and enhances WFP's ability to respond to evolving operational and administrative needs within a defined and limited range. It allows for the savings in one appropriation line to be used to address essential and prioritized expenditures in another, thereby supporting more effective, accurate and timely budget implementation. Such flexibility is particularly important for responding to the adjustments that may arise in the latter part of a year, when the windows for requesting changes through any potential update to the management plan for that year, which is finalized by April, or to the management plan for the following year, which is finalized by September, have closed.

31. The proposed text would read as follows:

The Executive Director may make transfers within each of the main appropriation lines of the approved Programme Support and Administrative budget. The Executive Director may also make transfers between appropriation lines, provided that the net amount transferred into and out of an appropriation line in a financial period does not exceed 5 percent of that appropriation line approved by the Board, or such other limit the Board may specifically set.

32. An example of the application of the proposed transfer flexibility is presented in table 1. In this example, there are four appropriation lines, each with a maximum allowable transfer threshold of 5 percent, which must be respected independently of changes in the other lines. If a 5 percent increase is desired in appropriation line A, transfers from the other appropriation lines could be made, but not in excess of 5 percent of each of those other appropriation lines.

TABLE 1: EXAMPLE WITH THE PROPOSED CHANGES TO FINANCIAL REGULATION 9.7					
Appropriation line	**Approved appropriation line**	**5% (maximum change)**	**Example change**	**Modified appropriation line**	**Actual % change**
A	95.00	+/- 4.75	4.75	99.75	5.00%
B	180.00	+/- 9.00	-1.25	178.75	-0.69%
C	70.00	+/- 3.50	-3.50	66.50	-5.00%
D	35.00	+/- 1.75	0.00	35.00	0.00%
Total	**380.00**			**380.00**	

Programme Support and Administrative Equalization Account

33. In line with efforts to improve the clarity and governance of WFP's financial framework, the Secretariat is proposing the inclusion of a new definition and a new Financial Regulation concerning the PSA Equalization Account (PSAEA). Although the PSAEA has been in use since 2002,[3] its function and permitted uses are not currently defined in the Financial Regulations. These proposals would ensure completeness and clarity of WFP's financial and budgetary governance by ensuring that the nature of the PSAEA and the Executive Director's authority in respect of it are referenced in the Financial Regulations. Furthermore, the proposals seek to formalize existing practices, enhance transparency and streamline the presentation of the management plan, given that a decision point on the PSAEA is usually included in each management plan.

34. The PSAEA plays a key role in managing the financial stability of WFP's PSA budget. It is used primarily to manage the timing differences between the receipt of income from indirect support costs and the incurrence of PSA expenditures. The account also absorbs variances in standard staff costs – the differences between estimated and actual employment costs – for PSA-funded positions (box 1).

35. In 2015, the Board endorsed a target balance and a minimum floor for the PSAEA. The target balance was set at a level equivalent to five months of PSA expenditures, while the floor was set at two months. These parameters help to maintain an adequate buffer for ensuring the sustainability of PSA-funded activities in the event of shortfalls in indirect support cost income, or unexpected cost fluctuations. A balance that exceeds the target level can be proposed for specific purposes such as the strengthening of reserves, work in a specific thematic area, or the funding of strategic investments, including critical corporate initiatives, subject to Board approval.

Financial Regulation 1.1: Definition of the PSA equalization account

36. The definition proposed is as follows:

Programme Support and Administrative Equalization Account (PSA Equalization Account) shall mean a reserve account established to record the difference between the income generated from indirect support costs and the expenditures related to programme support and administrative activities.

[3] "Final report on the analysis of the indirect support cost (ISC) rate"(WFP/EB.3/2002/5-C/1).

New Financial Regulation 10.7: Use of the PSAEA

37. The proposed regulation is as follows:

The Executive Director may draw from or credit the PSA Equalization Account to address any shortfall or surplus arising from:

(a) indirect support cost income that is lower or higher than is required in order to meet programme support and administrative expenditures; and

(b) variances in actual position costs relative to the corresponding amounts used to calculate the Programme Support and Administrative budget.

All other uses of the PSA Equalization Account shall require approval by the Executive Board.

Box 1. Standard staff cost variance

At the beginning of each budget cycle, WFP calculates standard staff cost rates for each grade level for the coming year. The calculation is based on the actual costs incurred in the previous year and is adjusted for inflation, exchange rate variations and other anticipated changes. The rates include base salary; post adjustment; pension and insurance contributions; entitlements such as annual leave and unassigned periods; post-employment benefits; allowances such as hardship, mobility and danger pay, and education and reassignment grants; and security and wellness costs.

Throughout the year, these standardized rates are applied to charge staff costs to various funding sources. This approach provides consistency and predictability in budget execution. During financial closure at the end of the financial year, the difference between the actual costs incurred and the standard costs charged is calculated. Differences between the standard and actual costs arise for a variety of reasons, including variations in entitlements; steps within grades; exchange rate fluctuations; the number of reassignments; and the number of unassigned employees, along with the length of time for which they remain unassigned.

These differences, referred to as "standard staff cost variances", are a regular feature of WFP's budgeting model and reflect the gap between estimated and realized employment costs throughout the organization. Over the past ten years, WFP has recorded an average positive staff cost variance of approximately 3 percent of total staff costs. These surpluses have been credited to the PSAEA for positions funded by the PSA budget, and to the unearmarked portion of the General Fund for all other positions.

Other changes to the Financial Regulations and Financial Rules

38. For consistency with the above changes, WFP is also proposing minor updates to the definitions of Appropriation, Appropriation line, Management Plan and Programme Support and Administrative budget, and to Financial Regulations 9.1, 9.2, 9.3 and 9.9. Moreover, to allow inclusion of the new Financial Regulation on the PSAEA (proposed Financial Regulation 10.7), current regulations 10.7–10.9 will be renumbered as 10.8–10.10.

39. To clarify WFP's existing practice of making advance or progress payments when required by normal commercial practices, and to mirror the FAO Financial Regulations – which also provide for such payments when necessary – it is proposed to amend Financial Regulation 12.1(a) to explicitly permit advance or progress payments, where appropriate. These changes can be seen in annex I.

40. In line with the provisions of Financial Regulation 2.2, the Executive Director shall establish Financial Rules, consistent with the WFP General Regulations and WFP Financial Regulations, that ensure effective financial administration and the exercise of economy. Following the approval of the above updates to the Financial Regulations, the Executive Director will be revising the Financial Rules. The Executive Director shall circulate the Financial Rules for information to the Board, the ACABQ and the FAO Finance Committee.

III. Overall impact of the proposed amendments on the Executive Director's delegated authority

41. The preceding section detailed each proposed amendment to the Financial Regulations, including the accompanying rationale and implications. This section provides an integrated assessment of the overall effect of the proposed changes, particularly in relation to the authorities that the Board has already delegated to the Executive Director.

42. Authorities in the area of financial management delegated by the Board to the Executive Director under WFP's General Rules and Financial Regulations relate primarily to the operational management of WFP, while the Board retains responsibility for approving the overall direction and the budget of the organization.

43. Although the package of changes may appear extensive, only one amendment relates directly to delegated authority, and it represents a measured refinement to existing delegated authority rather than a substantive shift in governance.

44. The proposed amendment to Financial Regulation 9.7 clarifies the specific limits within which the Executive Director may transfer resources among appropriation lines. The authority to make such transfers already exists under the current regulations, although no explicit quantitative limit is currently defined.

45. The 5 percent threshold is deliberately modest, ensuring that any transfers remain marginal relative to the size of individual appropriation lines and cannot result in major reallocations that would alter the budgetary priorities or strategic intent approved by the Board. By establishing an explicit quantitative ceiling, the proposed amendment reduces risk by constraining discretion rather than expanding it, while preserving the overall structure and integrity of the PSA budget as approved by the Board.

46. The proposed amendment does not restrict the Board's ability to review, scrutinize or express concerns regarding individual appropriation lines, nor does it preclude the Board from indicating that specific lines should be maintained without further adjustment. Such considerations may continue to be raised and addressed at the time of management plan approval. The proposed amendment supports limited operational flexibility during budget execution while ensuring that the Board's approved budget structure and strategic intent continue to guide resource allocation.

47. In conclusion, while some of the proposed amendments represent an initial step to address the audit recommendation, the overall proposed changes also aim to strengthen governance clarity, better align the Financial Regulations with operational realities and ensure textual consistency. The amendment to Financial Regulation 9.7 codifies the Executive Director's authority to transfer resources between approved PSA appropriation lines by specifying a modest cap, reflecting authority that already exists in the Financial Regulations and recurring decisions applied in practice over the past 20 years, without expanding the Executive Director's authority.

48. The Board's overall authority in determining the WFP Budget, and its central role in setting the strategic direction and budget of the organization, remain unchanged.

ANNEX I

Summary of proposed changes to Financial Regulations

The table below summarizes the proposed changes to the Financial Regulations, comparing the current and proposed text and summarizing the rationale presented in the previous section to facilitate review. In addition, the proposed changes have been grouped into three categories to improve the clarity of the presentation.

Three categories:

1. **Changes that constitute the first step towards addressing audit recommendations**[1]
    - Definition of *WFP Budget* and Financial Regulation 9.5: approval of WFP Budget
        - Linked to the External Auditor's recommendation in paragraph 49 of the 2023 audited annual accounts (on the annual WFP Budget)
    - Addition of definition of *PSA Equalization Account* (PSAEA), new Financial Regulation 10.7 on PSAEA
        - Linked to the External Auditor's recommendation in paragraph 80 of the 2023 audited annual accounts (on recurrent decisions to add to Financial Regulations)
2. **Changes needed to strengthen governance and align with operational reality**
    - Financial Regulation 9.4: Elements of the management plan
    - Financial Regulation 9.6: Implications of approving appropriations
    - Financial Regulation 9.7: Transfers across appropriations
    - Financial Regulation 12.1: internal controls/advance payments
    - Definition of *PSA budget*
3. **Changes for consistency**
    - Definitions of *appropriation*, *appropriation line*, *management plan*
    - Financial Regulations 9.1, 9.2, 9.3 and 9.9: linked to the management plan process
    - Renumbering of Financial Regulations 10.7–10.9

Current text	Proposed text	Changes/rationale for changes
1. Changes that constitute the first step towards addressing audit recommendations		
WFP Budget shall mean the annual budget component of the Management Plan approved each year by the Board, indicating estimated resources and expenditures for programmes and activities, and shall include a Programme Support and Administrative budget.	**WFP Budget** shall mean the annual budget of WFP, constituting the sum of the annual portions of each country portfolio budget approved, and/or expected to be submitted for approval, for the financial period, including the related operational and support costs, and shall	The definition has been updated to improve clarity, align the definition of the WFP Budget with best practices, and ensure that the definition reflects WFP's operational reality. See paragraphs 8–15 above.

[1] See box 2 at the end of this document.

Current text	Proposed text	Changes/rationale for changes
	include the Programme Support and Administrative budget.	
Financial Regulation 9.5: The Board shall consider the proposed Management Plan, and the related reports of the ACABQ and the Finance Committee, and shall approve the Management Plan, including the WFP Budget, prior to the beginning of the financial period covered by the WFP Budget.	**Financial Regulation 9.5:** The Board shall consider the Management Plan, and the related reports of the ACABQ and the Finance Committee, and shall approve the annual WFP Budget prior to the beginning of the financial period covered by the WFP Budget. Approval of the annual WFP Budget does not constitute approval of individual programmes or their related country portfolio budgets, which shall be submitted separately for approval and revision pursuant to General Regulation VI.2(c) and the appendix to the General Rules. The annual WFP Budget shall be deemed, without further action by the Board, to incorporate future approvals and revisions of country portfolio budgets.	Codify the practice that has been in place for more than 20 years, whereby individual decisions within the management plan have been approved, rather than the management plan itself. Also align with General Regulation XIV.6, which requires the Executive Director to submit "a WFP budget". Pre-emptively address potential conflict between the approval of the WFP Budget and the budgets of country programmes (CSPs, etc.), which are individually approved pursuant to General Regulation VI.2(c) and the Appendix to the General Rules. See paragraphs 19–24 above.
	Programme Support and Administrative Equalization Account (PSA Equalization Account) shall mean a reserve account established to record the difference between the income generated from indirect support costs and the expenditures related to programme support and administrative activities.	New definition introduced in relation to Financial Regulation 10.7, set forth below, to establish the PSAEA and its uses in the Financial Regulations and thereby improve governance, clarity and the comprehensive nature of the regulations. Although newly defined, this is a reaffirmation of the long-standing interpretation of the PSAEA including as presented in previous management plans. See paragraphs 33–36 above.

Current text	Proposed text	Changes/rationale for changes
	Financial Regulation 10.7: The Executive Director may draw from or credit the PSA Equalization Account to address any shortfall or surplus arising from: (a) indirect support cost income that is lower or higher than is required in order to meet programme support and administrative expenditures; and (b) variances in actual position costs relative to the corresponding amounts used to calculate the Programme Support and Administrative budget. All other uses of the PSA Equalization Account shall require approval by the Executive Board.	Codify the current practice in the Financial Regulations for clarity and comprehensiveness and avoid repetitive decisions in the management plan each year. See paragraphs 33–35 and 37 above.
2. Changes needed to strengthen governance and align with operational reality		
Financial Regulation 9.4: The proposed Management Plan will include: (a) planned outcomes and indicators of achievement; (b) comparative tables setting out the proposals for the following financial period, the approved WFP Budget for the current financial period and the approved WFP Budget for the current financial period as modified in the light of actual receipts and expenditures; and (c) such statistical data, information, explanatory statements and staffing tables including those with regard to the second and third years of the Management Plan period, as may be requested by the Board or considered appropriate by the Executive Director.	**Financial Regulation 9.4:** The Management Plan will include: (a) planned outcomes and indicators of achievement; and (b) comparative tables setting out the approved WFP Budget for the current financial period and the proposal for the following financial period. The Executive Director shall also provide, for the Board's information, such indicative statistical data, information, explanatory statements and staffing tables with regard to the Management Plan period as may be requested by the Board or considered appropriate by the Executive Director.	Changes introduced to improve coherence and reduce ambiguity. Items (b) and (c) have been simplified while keeping the main elements at the centre of the regulation. See paragraphs 16–18 above.

Current text	Proposed text	Changes/rationale for changes
Financial Regulation 9.6: The Board's approval of the Management Plan, including the Budget, shall constitute: (a) acceptance of the WFP programme of work for the following financial period and an authorization to the Executive Director to proceed with the implementation of the programme of work; and (b) an authorization to the Executive Director to allocate funds, issue allotments, incur obligations and make payments for the purposes for which the appropriation was approved, up to the amount so approved.	**Financial Regulation 9.6:** The Board's approval of the Programme Support and Administrative budget and other appropriations shall constitute an authorization to the Executive Director to allocate funds, issue allotments, incur obligations and make payments for the purposes for which the Programme Support and Administrative budget and other appropriations were approved, up to the amount so approved.	Place emphasis on the approval of the PSA appropriations and their purpose, avoiding overlap with other regulations that govern the programmatic side (Financial Regulation 8.1). See paragraphs 25–27 above.
Financial Regulation 9.7: The Executive Director may make transfers within each of the main appropriation lines of the approved Programme Support and Administrative budget. The Executive Director may also make transfers between appropriation lines up to limits the Board may specifically set.	**Financial Regulation 9.7:** The Executive Director may make transfers within each of the main appropriation lines of the approved Programme Support and Administrative budget. The Executive Director may also make transfers between appropriation lines, provided that the net amount transferred into and out of an appropriation line in a financial period does not exceed 5 percent of that appropriation line approved by the Board, or such other limit the Board may specifically set.	Set specific limits for the Executive Director's authority to make transfers between appropriation lines (such authority was already included in the original regulation but without defined thresholds). Such limits are established to improve optimization of PSA resources and avoid repetitive and lengthy decisions within the management plan each year, while remaining sufficiently modest so as not to alter the direction originally approved by the Board. See paragraphs 28–32 above

Current text	Proposed text	Changes/rationale for changes
Financial Regulation 12.1: The Executive Director shall establish internal controls, including internal audit and investigation, to ensure the effective and efficient use of the resources of WFP and the safeguarding of its assets. Such internal controls shall take into account the best prevailing practices of governmental and commercial management and shall, *inter alia*, ensure: (a) that all payments are made on the basis of supporting vouchers or other documents which ensure that the services or goods have been received and that payments have not previously been made; (b) the regularity of the receipt, custody and disposal of all resources of WFP; (c) the conformity of expenditures and obligations with the appropriations, allotments or other authorizations approved, as the case may be, by the Board, or by the Executive Director.	**Financial Regulation 12.1:** The Executive Director shall establish internal controls, including internal audit and investigation, to ensure the effective and efficient use of the resources of WFP and the safeguarding of its assets. Such internal controls shall take into account the best prevailing practices of governmental and commercial management and shall, *inter alia*, ensure: (a) that all payments are made on the basis of supporting vouchers or other documents that show that the services or goods have been received and have not previously been paid for, except where advance or progress payments are specifically provided for in the contract, as may be required by normal commercial practice and the interests of WFP; (b) the regularity of the receipt, custody and disposal of all resources of WFP; and (c) the conformity of expenditures and obligations with the appropriations, allotments or other authorizations approved, as the case may be, by the Board, or by the Executive Director.	Changes made to subsection (a) to codify the existing practice of making advance or progress payments when required by normal commercial practices, and to align with FAO's regulations, which also provide for such payments when necessary. (Note that this regulation is not related to budgetary governance.) See paragraph 39 above.
Programme support and administrative budget shall mean the portion of the WFP Budget that pertains to providing indirect support to WFP's activities.	**Programme Support and Administrative budget** shall mean the portion of the WFP Budget appropriated by the Board to provide indirect support to WFP's activities.	The definition has been reworded to improve clarity and understanding of what is set aside (approved by the Board) to cover indirect costs

Current text	Proposed text	Changes/rationale for changes
3. Changes for consistency		
Appropriation shall mean the amount approved by the Board for specified purposes in the Programme Support and Administrative budget for a financial period, against which obligations up to the amount approved may be incurred for those purposes.	**Appropriation** shall mean the amount approved by the Board for specified purposes in the Programme Support and Administrative budget, or for other activities for a specified period, against which obligations up to the amount approved may be incurred for those purposes.	The phrase "or for other activities for a specified period" is added to clarify, not expand, the meaning of appropriations under IPSAS 24. It confirms that appropriations are Board-approved, time-bound authorizations for PSA and critical corporate initiatives, as reported in statement V of the financial statements, ensuring consistent interpretation and reporting).
Appropriation line shall mean the largest subdivision of the programme support and administrative budget within which the Executive Director is authorized to make transfers without prior approval of the Board.	**Appropriation line** shall mean the largest subdivision of the Programme Support and Administrative budget within which the Executive Director is authorized to make transfers without prior approval of the Board.	Capitalization of "Programme Support and Administrative" budget, for consistency purposes.
Management Plan shall mean the three-year comprehensive plan of work approved each year on a rolling basis by the Board, inclusive of planned outcomes and indicators of achievement, together with the annual WFP Budget.	**Management Plan** shall mean the three-year comprehensive plan of work submitted to the Board each year on a rolling basis, inclusive of planned outcomes and indicators of achievement, and together with the annual WFP Budget.	The change from "approved" to "submitted" codifies the long-standing practice (more than 20 years) of approving only individual decisions within the management plan, not approving the management plan itself. For consistency with changes to Financial Regulation 9.5.
Financial Regulation 9.1: The Executive Director shall propose a Management Plan, including a WFP budget for the subsequent financial period, and submit it to the ACABQ and the Finance Committee in accordance with the General Regulations of WFP.	**Financial Regulation 9.1:** The Executive Director shall prepare a Management Plan, including a WFP Budget for the subsequent financial period, and submit it to the ACABQ and the Finance Committee in accordance with the General Regulations of WFP.	Changes to ensure consistency throughout regulations. Change from "propose" to "prepare" to align with long-standing practice of submitting the document with specific decisions for Board approval, rather than proposing the entire management plan for approval.

Current text	Proposed text	Changes/rationale for changes
Financial Regulation 9.2: The Executive Director shall submit the proposed Management Plan, as well as the reports thereon of the ACABQ and Finance Committee, to the Board at its last regular session of each calendar year. The proposed Management Plan shall be circulated to members of the Board not later than 30 days before the session.	**Financial Regulation 9.2:** The Executive Director shall submit the Management Plan, as well as the reports thereon of the ACABQ and Finance Committee, to the Board at its last regular session of each calendar year. The Management Plan shall be circulated to members of the Board not later than 30 days before the session.	Removing the word "proposed" to ensure consistency throughout the revised Financial Regulations in order to align with long-standing practice of submitting the document with specific decisions for Board approval, rather than proposing the entire management plan for approval.
Financial Regulation 9.3: The proposed Management Plan shall include the estimated resources and expenditures for each programme category and shall show proposed appropriations for programme support and administrative services in such separate main appropriation lines as may be decided by the Board.	**Financial Regulation 9.3:** The Management Plan shall include the estimated resources and expenditures for each programme category and shall show proposed appropriations for programme support and administrative activities in such separate main appropriation lines as may be decided by the Board.	Removing the word "proposed" to ensure consistency throughout the revised Financial Regulations in order to align with long-standing practice of submitting the document with specific decisions for Board approval, rather than proposing the entire management plan for approval. "Services" has been replaced with "activities" as it was deemed to be a more appropriate term for this particular Financial Regulation. The use of "services" could create ambiguity, as it may be construed to refer to service provision as defined under Financial Regulations 1.1 and 4.8. The proposed amendment would enhance clarity and eliminate potential confusion

Current text	Proposed text	Changes/rationale for changes
Financial Regulation 9.9: Appropriations for Programme Support and Administrative services shall remain available for twelve months following the end of the financial period to which they relate, to the extent they are required to discharge any outstanding legal obligations. At the end of that twelve-month period, the remaining balance of any appropriation shall revert to the General Fund. Any unliquidated obligations shall at that time be cancelled or, where the obligations remain a valid charge, transferred to an obligation against current appropriations.	**Financial Regulation 9.9:** Appropriations for Programme Support and Administrative activities shall remain available for 12 months following the end of the financial period to which they relate, to the extent they are required to discharge any outstanding legal obligations. At the end of that 12-month period, the remaining balance of any such appropriation shall revert to the PSA Equalization Account. Any unliquidated obligations shall at that time be cancelled or, where the obligations remain a valid charge, transferred to an obligation against current appropriations.	Align with the Financial Regulation referencing the definition of the PSA Equalization Account, maintaining the segregation of indirect support cost income and expenses (PSA) from other operational and miscellaneous revenue and expenses.
Renumbering of current Financial Regulation 10.7 as 10.8		Renumbering due to inclusion of new Financial Regulation 10.7.
Renumbering of current Financial Regulation 10.8 as 10.9		
Renumbering of current Financial Regulation 10.9 as 10.10		

Summary of relevant audit recommendations

The external audit of the 2023 financial statements[2] recommended that WFP review and update its General Rules and Financial Regulations with the aim of ensuring that budget-related definitions and decisions are accurately reflected, and to consolidate elements currently spread across several documents, including past management plans. Box 2 below summarizes the recommendations related to the updating of the Financial Regulations, which were considered by WFP while drawing up the amendments proposed in this document.

[2] "Audited annual accounts, 2023" (WFP/EB.A/2024/6-A/1).

Box 2: Relevant audit recommendations

Paragraph 80: The External Auditor recommends that WFP *review budget-related definitions and decisions* at a level below the General Rules and Financial Regulations in order to assess the need to transform these into General Rules or Financial Regulations and make a corresponding proposal to the Executive Board.

Paragraph 49: The External Auditor recommends that WFP, in line with Financial Regulation 9.4, provide the Executive Board with one document that compares the proposed budget with the current *approved* budget and the modified current budget and allows for the *approval of the annual WFP budget,* for example, in an annex to the management plan that contains the country strategic plans of all country offices in the approval periods.

Paragraph 35: The External Auditor recommends that WFP propose to the Executive Board the *criteria for the management plan revisions* required in case of variances in the funding projections, in order to enable an amendment of the General Rules or Financial Regulations.

Paragraph 69: The External Auditor recommends that WFP propose to the Executive Board definitions of, and criteria for when and under which *conditions funding can be set aside for critical corporate initiatives.* The proposal should enable the Executive Board to execute its governance role and consider an amendment of the General Rules or Financial Regulations.